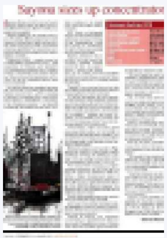
isentia

AUTHOR: Michael Washbourne SECTION: GENERAL NEWS ARTICLE TYPE: NEWS ITEM AUDIENCE : 4,837
PAGE: 104 PRINTED SIZE: 568.00cm² REGION: National MARKET: Australia ASR: AUD 3,324
WORDS: 875 ITEM ID: 1215260939



JANUARY, 2020

Sayona sizes up concentrator

Paydirt, National

Sayona sizes up concentrator

Sayona Mining Ltd will know by the end of Q1 2020 whether its bid for the troubled North American Lithium Inc (NAL) operation is successful.

Despite reaffirming the robust economics of its Authier lithium project last month, Sayona is pulling out all stops to take control of the highly sought-after concentrator which lies just 50km from where the company is planning to develop its own mine in Quebec, Canada.

Production at NAL – majority owned by Chinese battery manufacturer CATL – was suspended in February and protection was subsequently obtained from creditors in May. In September, the Quebec Superior Court removed that protection and invited bids for the mothballed lithium mine and concentrator.

It is the third time the operation has been put on ice over a 10-year period and the Quebec Government – which is seeking to develop a complete lithium value chain, from mining to downstream processing, in the Canadian province – has become increasingly frustrated that the same mistakes continue to be made every time the project changes hands.

NAL boasts a high-grade deposit, but an orebody that is extremely narrow and mining of the "spaghetti-like" veins has proved too challenging for each of the three previous owners of the operation.

Sayona believes it has a solution. Not only does the company possess several personnel who are experienced in mining coal seams down to six inches and have translated that skill over to the lithium sector for Altura Mining Ltd, it also has an orebody perfect for blending.

"Frankly, if you just tried to work on the same thing you'll fail a fourth time," Sayona managing director Brett Lynch said.

"It may be high grade, the NAL deposit, but it's a far from simple orebody. But if you were to blend that with ore from Authier, instead of a sub-6% lithium end product, we could actually get plus-6% and increase the throughput, increase the yields, increase the profitability and increase the life of mine because we now have two orebodies feeding one concentrator.

"Over $C300 million has been spent developing that facility, but the facility is actually not the fundamental problem. The equipment is world class, but the problem has always been only having the one orebody to source from."

Melbourne-based Lynch spoke to **Paydirt** as he kicked off a two-week investor roadshow following the release of a revised DFS on Authier, about 45km from the establishing mining town of Val d'Or.

The revised DFS is based on a higher average production rate of 2,600 tpd, up from the previously assessed 1,850 tpd. While a higher development capex of $C120 million (up from $C89.9 million) and extra life-of-mine capital of $C216 million (up from $C83.6 million) is required, the project's NPV has increased from $C184.8 million to $C216 million.

Small improvements were also recorded in the estimated opex and IRR.

Lynch said while Authier remained a viable standalone option for Sayona, the NAL facility offered the company a cheaper and faster route to production.

"Clearly for Sayona, the advantage is not having to spend $C120 million on developing a standalone mine at Authier when there is a perfectly good concentrator literally just down the road," Lynch said.

"We can invest the sunk capital with a relatively straightforward plan and then bring our management expertise to the table to deliver a world-class facility in Quebec, which is a first step in the turnaround they're seeking to become a world-class lithium mining centre.

"So, in some ways we're at a bit of a fork in the road and we've now opened up another corridor which, if it is successful, would literally link Authier with NAL and very quickly we go from being a junior explorer to having one of the largest lithium operations in the world."

Sayona recently added Primero Group Americas and former NAL superintendent and plant manager Ghislain Dubé to its bidding team, which also includes key personnel from Altura, BBA, Hatch, Jett Capital Advisors and PwC.

Bids for the NAL operation are set to close at the end of January, with a decision expected to be handed down by mid-March.

"We wouldn't be entering this bid if we were only coming to the table with 'we think we're smarter' and 'we've got more mining experience' because that just won't cut it," Lynch said.

"It just so happens we are fortunate to have Authier, the only deposit that is literally close enough to NAL to be a viable blending option. We have a unique position in the bidding process to win it and then go on to develop a world-class lithium hub for Quebec."

Sayona could potentially have a third orebody for the NAL concentrator after setting an exploration target of 5-25mt @ 1.2-1.3% lithium for the Viau-Dallaire prospect, part of its Tansim project, about 82km south-west of Authier.

– Michael Washbourne

Revised Authier DFS

Average production:	114,116 tpa
Life-of-mine:	13.8 years
Development capital:	$C120 million
Life-of-mine capital:	$C211 million
EBITDA:	$C461 million
Life-of-mine cash costs:	$C400/t (mine-gate)
NPV:	$C216 million
IRR:	33.9%
Payback:	2.7 years

Sayona believes its Authier lithium project will unlock some of the processing challenges which have constantly curtailed production at the nearby NAL facility in Quebec, Canada